

**MINUTES OF THE  
JOINT CAPITAL FACILITIES & ADMINISTRATIVE SERVICES  
APPROPRIATIONS SUBCOMMITTEE  
THURSDAY, JANUARY 27, 2005, 2:00 P.M.  
RoomW025, West Office Building, State Capitol Complex**

Members Present:            Sen. Bill Hickman, Committee Co-Chair  
                                 Rep. D. Gregg Buxton, Committee Co-Chair  
                                 Rep. Roger Barrus  
                                 Rep. DeMar “Bud” Bowman  
                                 Rep. Stephen Clark  
                                 Rep. Wayne A. Harper  
                                 Rep. Fred R. Hunsaker  
                                 Rep. Brent H. Goodfellow  
                                 Rep. Michael T. Morley

Members Excused:        Pres. John Valentine  
                                 Sen. Mike Dmitrich  
                                 Sen. Peter Knudson

Members Absent:         Rep. Ralph Becker  
                                 Rep. Stephen D. Clark

Staff Present:             Steve Allred, Fiscal Analyst  
                                 Jonathan Ball, Technology Analyst  
                                 Nedra Duzett, Committee Secretary

Public Speakers Present:

A list of visitors and a copy of handouts are filed with the committee minutes.

Co-Chair Buxton called the meeting to order at 2:05 p.m.

**1.     Approval of Minutes**

**MOTION:** Rep. Hunsaker moved to approve the minutes of the Jan. 24, 2005 meeting.

The motion passed unanimously with Rep. Morley absent for the vote.

**2.     Prior Business**

No prior business was discussed.

**3. Department of Administrative Services - Internal Service Fund Agencies (Tab 8)**

Fiscal Analyst Steve Allred gave a brief summary of the Department and stated that Internal Services Funds (ISF) employ business practices to provide a service or product for other state and governmental agencies. In order to control the size, mission and fees charged to state agencies, the Legislature imposed statutory controls that require the Legislature to approve an ISF's budget, FTE, rates, and Capital Outlay Authority.

**a. Information Technology Services (Budget Brief CFAS-05-18)**

Fiscal Analyst Jonathan Ball summarized the responsibilities of the Division of Information Technology Services. The agency provides centralized data processing and communication service to all agencies of state government as well as various local entities.

Mr. Ball pointed out that last General Session, ITS projected a loss of \$3.5 million. Through prudent cost management, ITS cut its FY 2004 operating loss to \$280,000. Mr. Ball commended ITS and its acting director, David Fletcher, for this accomplishment. However, ITS still has not adequately addressed revenue disparity among its product families. These inequities disproportionately charge certain users, and send false price signals to state agencies, potentially leading to unnecessary expenditure of tax resources.

The Budgetary Procedures Act states that "an internal service fund agency may not charge rates, fees, and other amounts that exceed those established by the Legislature in the appropriations act." ITS obtains its revenue from customers using an unauthorized "normalization" factor. ITS cannot document how and when normalization factors have been determined, nor has it sought authorization for such altered rates.

The Analyst believes the current practices used by ITS is in violation of the Budgetary Procedures Act and recommended the Division develop and implement a standard procedure for establishing normalization factors, seek approval from the Legislature of mainframe rates that reflect the normalization factor, and publish guidelines on applying the normalization factor for ITS' mainframe users.

Mr. Ball reviewed performance measures in the area of cost recovery, network reliability and customer satisfaction.

The Fiscal Analyst recommended the subcommittee approve Dedicated Credits revenue of \$47,920,600 for FY 2006, 236 full-time equivalent employees for FY 2006, the rates in Issue Brief CFAS-05-10 and approve carry-forward capital outlay authority in an amount to be determined by the subcommittee pending ITS' report on capital acquisition.

David Fletcher responded to the Analyst's report. He reported that the deficit has been eliminated. through implementation of some careful controls in capital and other expenditures, and by reducing one FTE. They have also implemented digital line service and eliminated older more costly lines.

Rep. Goodfellow asked about the collect calls and the surcharge required by prisoners at the state prison, and if family members of prisoners are subsidizing the rest of the state. Mr. Fletcher reported that this money is part of the revenue stream and comes back into the ITS account.

Mr. Ball recommended that the committee adopt the following intent language:

*The Legislature intends that, under the terms and conditions of Utah ode Annotated 63-38-8.2, \$1,347,000 in capital outlay authority granted to the Division of Information Technology Services for Fiscal Year 2005 shall not lapse. The Legislature intends that this authority will be used for the following projects: Campus Network Expansion; Intrusion Protection System; Microwave Expansion; RACF/UMD Integration: WAN Access Upgrades: WAN Distributrion Upgrades.*

There were no motions on ITS.

**b. Office of State Debt Collection (Budget Brief CFAS-05-16)**

Fiscal Analyst Steve Allred gave an overview of the Office of State Debt Collection. The division's primary responsibility is to contract with private vendors to assist in collection of outstanding debt, and is designed to funnel past-due receivables back to the General Fund. The Division should keep only enough funds from collections to cover operating costs.

Mr. Allred reported that expansion of private sector contracts has allowed the office to increase collections without significantly increasing costs. Revenue is generated for the program by assessing an administrative fee against each collection.

The Analyst recommends a budget of \$1,116,100 estimated revenues, rates as presented in Issue Brief CFAS-05-07, 5.0 FTE, and no authorized Capital Outlay Authority.

**MOTION:** Rep. Bowman moved to accept the Analyst's recommendation of \$1,116,100 estimated revenues, rates as presented in Issue Brief CFAS-05-07, 5.0 FTE, and no authorized Capital Outlay Authority.

The motion passed unanimously with Rep. Harper absent for the vote.

c. **Purchasing and General Services (Budget Brief CFAS-05-16)**

Mr. Allred reported that Central Copying, Central Mail, and Central Stores are ISF functions in the Division of Purchasing. The Administrative Program is set up to account for the indirect costs in delivering the services of the other three central services programs. All expenditures are passed through to the other programs in proportion to their share of the total division budget.

Mr. Allred stated that the Publishing Program has shown negative earnings for several years due to a movement by agencies to digital copy on their own equipment. The division plans to evaluate anticipated demand for its services and new ways of delivering services. Private service providers will likely be considered along with other options.

The Analyst recommended a budget of estimated revenues of \$14,007,300, rates as presented in Issue Brief CFAS-05-08, 60.0 FTE , and authorized Capital Outlay of \$3,861,000.

**MOTION:** Rep. Hunsaker moved to adopt the Analyst budget of estimated revenues of \$14,007,300, rates as presented in Issue Brief CFAS-05-08, 60.0 FTE , and authorized Capital Outlay of \$3,861,000.

The motion passed unanimously with Rep. Harper absent for the vote.

d. **Fleet Operations (Budget Brief CFAS-05-19)**

The Analyst said the largest component of the division is fleet operations, however, the division also includes the State and Federal Surplus Property programs.

The Analyst recommended approving the rate changes approved by the ISF Rate Committee, except for the three percent inflation increase. The division requested the inflation increase be built into the monthly lease rate in an attempt to capture cost increases for future vehicle replacements.

The Analyst recommended the subcommittee go on record that it wants to readdress the memorandum of understanding between the Department of Natural Resources and the Division of Fleet Operations.

Steve Saltzgiver, Director, Fleet/Surplus Operations answered questions of the subcommittee. He reported that state surplus property has moved to an online auction format using e-Bay and two other venues in addition to their own in house auction. A deposit is required so the buyer cannot renege on the sale.

The Analyst recommended the Legislature adopt the following intent language to complete the approved reduction to the Federal Surplus Property Program.

*It is the intent of the Legislature that the value of the Federal Surplus Property building be transferred to the State Surplus Property program, and that State Surplus Property excess retained earnings be used to offset the deficit in Federal Surplus Property retained earnings.*

**MOTION:** Rep. Goodfellow moved to approved the Analyst recommendation of items 1 through six of Budget Brief CFAS-05-19 for Fleet Operations and recognize that the MOU be terminated as of June 30, 2005.

The motion passed unanimously.

e. **Risk Management (Budget Brief CFAS-05-20)**

The Analyst summarized the Division of Risk Management. The liability insurance program is entirely self-funded, while the property insurance program is self-funded up to a \$2.5 million deductible with a private carrier.

The Analyst recommends the Legislature adopt the rate changes approved by the ISF Rate Committee for Risk Management covered on Issue Brief CFAS-05-13.

The Analyst noted that some liability premiums had increased while others had decreased. Almost every higher education institution had a large decrease in their liability insurance rates. Overall liability insurance had a net decrease statewide of \$122,106.00.

Alan Edwards, Division Director, answered questions from the committee. He said the rates are based on historical experience. The Division of Risk Management has an actuarial study that looks at over 20 years of loss experience trends. Currently expected costs from losses will be at 55 percent of reserves which is the amount the federal government will allow.

**MOTION:** Sen. Hickman moved to accept the Analyst recommendations 1, 2, 3, 4 on page 2 of the Budget Brief Risk Management CFAS-05-20.

The motion passed unanimously.

The Analyst told the subcommittee retained earnings are sufficiently high to allow \$4,500,00.00 to be transferred to the state general fund. Also Risk Management Administration has \$65,900.00 in contributed capital they could give up. This money

could be used if there are one- time projects the committee would like to fund.

**f. Facilities Managment (Budget Brief CFAS-05-21)**

Mr. Allred said the internal service fund with the Division of Facilities Construction and Management (DFCM) is responsible for the operation and maintenance of 5.4 million square feet of state owned space. DFCM will provide maintenance, janitorial, and security services for any agency occupying stat owned space. In order to keep prices as low as possible, DFCM must compete with private sector vendors in getting maintenance contracts.

The Analyst recommended the Legislature adopt the rate changes approved by the ISF Rate Committee for Facilities Maintenance as outlined in Issue Brief CFAS-05-15.

Mr. Bruce Whittington, Program Director for DFCM, reviewed the fee rates. He stated that each building is unique in location, age, and condition, and fees are determined accordingly. DFCM set a target to track all costs associated with the building, and each year it is determined which buildings need rate adjustments. For FY2006 DFCM is requesting adjustments for ten of the 141 programs, eight rate increases, and two rate decreases. The total combined impact of these is \$164,500. Eight different programs in FY2006 will require action as a result of new construction and changes in scope of services. The total impact of these changes totals \$322,772.

The Analyst recommended moving Computer Aided Design from the Internal Service Fund Budget to the appropriated budget, resulting in a decrease of \$144,956.00. The Analyst also recommended two FTEs be moved from the Internal Service Fund budget to the appropriated budget.

The budget recommendation for FY 2006: Estimated revenues of \$20,060,500, rate changes as presented in Issue Brief CFAS-05-15, 119.0 FTE, and Authorized Capital Outlay of \$73,200. Funds will be used, if needed, to replace mowers, mules, and other equipment that may unexpectedly break down.

Mr. Whittington noted that they have been able to assimilate additional programs with minimal FTEs. Utilities is something they cannot control and has been a major impact this year and will continue to be with all the rate changes in the past year. The budget is over \$20,000,000 and 25 percent goes to utility payments. It will have a potentially large impact on their operation.

The Analyst reported that the FTE count is based on legislative approval of full-time

permanent employees, but can fluctuate according to intent language. The Analyst recommended the following intent language, with modifications as underlined.

*It is the intent of the Legislature that DFCM's internal service fund may add FTEs or vehicles beyond the authorized level if new facilities come on line or maintenance agreements are requested. Any added FTEs or vehicles will be reviewed and approved by the Legislature in the next legislative session.*

**MOTION:** Rep. Harper moved to approve legislative actions 1, 2, 3, and 4, of Budget Brief CFAS-05-21 with the following intent language:

*It is the intent of the Legislature that DFCM's internal service fund may contract for services or add temporary employees beyond the authorized level if new facilities come on line or maintenance agreements are requested. Any added employees, before becoming FTEs, will be reviewed and approved by the Legislature in the next legislative session.*

There was discussion on the motion with some committee members speaking against the motion.

**SUBSTITUTE MOTION:** Rep. Hunsaker moved to adopt the Analyst's recommendations 1, 2, 3, 4, of Budget Brief CFAS-05-21, and the intent language as it was originally written as follows:

*It is the intent of the Legislature that DFCM's internal service fund may add FTEs or vehicles beyond the authorized level if new facilities come on line or maintenance agreements are requested. Any added FTEs or vehicles will be reviewed and approved by the Legislature in the next legislative session.*

Rep. Harper spoke against the substitute motion.

Sen. Hickman requested that the sponsor divide the motion.

**1st Part of Motion:** The subcommittee will adopt only items 1, 2, 3, 4.

The motion passed unanimously.

**2nd Part of Motion:** The subcommittee will accept the following intent language as written by the Analyst.

*It is the intent of the Legislature that DFCM's internal service fund may add FTEs or vehicles beyond the authorized level if new facilities come on line or maintenance agreements are requested. Any added FTEs or vehicles will be reviewed and approved by the Legislature in the next legislative session.*

The motion failed in the Senate.

Sen. Hickman asked the Analyst and DFCM to work together to write new intent language and come back to the subcommittee in the next meeting.

**MOTION:** Rep. Goodfellow moved to adjourn.

The motion passed unanimously.

The meeting was adjourned at 4:30 p.m. by Co-Chair Buxton. .

The minutes were reported by Nedra Duzett.

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Sen. Bill Hickman

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Rep. D. Gregg Buxton